



A GUIDE TO CHOOSING A DIGITAL DISTRIBUTOR

Dave Anderson



tunecore.

VS



Comparing Digital Distribution

You've probably worked out by now that iTunes doesn't deal with independent musicians directly, and as such in order to get your music into the iTunes store, and a host of other music platforms, you'll need to work with a digital distributor.

In this ebook, I'll compare the major digital distributors and give you firsthand experience, as well as the numbers, to help you make a decision with which vendor to go with.

The Top 5 Digital Distributors

- CD Baby
- Tune Core
- Ditto
- Catapult
- iMusician

Considering CD Baby and Tune Core are the leaders in the market by quite some way, we've taken a deeper analysis into the numbers and help you make a decision with which distributor to go with.

	Cost Per Album	Yearly fee	Royalties to you	Payment
CD Baby	\$39.00	No	91%	Paypal - Weekly
Tune Core	\$49.90 (per year)	Yes	100%	Paypal - Bi Weekly
Ditto	\$35.00	No	100%	Paypal - Weekly
Catapult	\$25.00	No	91-95%	Paypal - Once a month
iMusician	\$29.00	No	85%	Paypal - Monthly

*Dec 2011

The Numbers Tell Part of the Story

Like any commercial transaction price is a huge factor in your decision making, but it shouldn't be the primary reason to go with one distributor over another.

The key considerations for choosing a digital distributor include:

- Cost per album
- Yearly renewal fee's
- percentage of royalties per sale
- the number of stores the distributor deals with
- how often you get paid
- User interface, how easy are they to work with.
- Added Services

All digital distributors need to make money somehow; some will make it up front, make additional via valued added services or take more in royalties.

Cost per Album

In our comparison we focused on cost per album, because the majority will be looking to distribute an album rather than individual songs.

The two premium distributors, Tune Core and CD Baby are the most expensive. TuneCore, reported as the largest digital distributor (2010), increased their pricing mid 2010 from \$19.98 to \$49.90, and in my opinion priced themselves out of the market compared to CD Baby.

The newer distributors, not surprisingly are the cheapest, in order to attract new customers, but they also have weaker value propositions compared to the more established players.

Royalties

Royalties are what you are paid, less the retailer's fee. The retailer naturally will take a cut, for instance iTunes takes 30% of all sales. It's a fair slice, for doing not a lot, but considering they are currently 70% of the digital sales market, you'd be a fool not to have your album listed on iTunes.

Tune Core gives you 100% of your royalties, compared to CD Baby which take a 9% fee.

Yearly Fee

The only distributor charging a yearly fee is Tune Core. Considering albums can be online for a long time, and don't realistically take up shelf space, the yearly fee charged by Tune Core is a deal breaker. We'll take a look at the numbers you'd need to sell with Tune Core in order to recover the costs of this yearly fee later in the book.

Payment

Payment is never instant as the digital retailers take 5-6 weeks to pay the distributor. The payment onto you then takes between a week and a month depending on who you work with.

Considering you are already waiting 5-6 weeks we didn't see any particular advantage between the distributors payment methods.

All the distributors use Paypal which is the recommended method of getting paid.

Digital Stores

Of course you can't have a review of digital distributors without acknowledging the retail stores that they distribute to.

In our comparison, and without signing up to every single service we saw very little difference between the providers. All of them globally send to the majors like iTunes and Amazon, and all provided streaming services to Spotify.

Additional Services

Considering this guide is really about digital distribution we won't go into other considerations like their ability to provide physical distribution, however CD Baby is recognized as a leader in providing valued added additional services like Physical distribution and it's also has it's own music store.

Both CD Baby and Tune Core offer a widget which you can place on your website for playing and selling your music. Both are adequate however we found Tune Core loaded extremely slowly, and considering CD Baby takes a cut we'd recommend you take a direct to fan method using Bandcamp or SoundCloud.

iTunes accounts for 70% of Digital Music Revenue



CD Baby vs Tune Core

Let's focus in on the #1 and #2 distributors and run some numbers to see which one is financially more attractive.

The major difference between the two is:

- 1) Yearly Cost with TuneCore
- 2) 9% Commission with CD Baby per sale.

How many albums would you need to sell in a year in order to make it financially better off to be with Tune Core?

Let's take a look at the numbers:

Tune Core = \$49.90 per year x 100%

CD Baby = \$39.00 x 91%

Consider a CD on iTunes sells for approximately \$16.99.

Apple takes 30% leaving you with:

\$11.89 profit per album

Tune Core would then pay you:

$\$11.89 \times 100\% = \11.89

CD Baby takes 9% of this:

$\$11.89 \times 91\% = \10.82

The difference between the two is approximately \$1.

Therefore you'd only need to sell 11 albums with Tune Core to be financially better off.

The Long Tail Model

Now let's make an assumption that you are not going to have your album online for 1 year

only, because realistically it's probably going to be more like 10 years, maybe even longer.

Tune Core Costs over 10 years

10 years x \$49.99 = \$499!

CD Baby Costs over 10 years

\$39.99

The difference between the two is a whopping \$459!

Fairly significant difference isn't it?

However, as stated earlier CD Baby takes a cut per album sale of 9%.

So let's run the same equations and see how many albums would you need to sell with Tune Core in order to be better off over a 10 year period?

As we worked out earlier the profit per CD with CD Baby, is \$10.82.

With Tune Core it was \$11.89, making a difference of a \$1.07.

I was fairly average at math's but the equation is:

$Y \text{ Albums} \times \$1.07 = \$459$

This would then be:

$459 / 1.07 = 428.9$

So considering you can't sell 0.9 of an album you'd need to sell 429 albums over 10 years to be better off with Tune Core.

About the Author:

Dave Anderson



Dave Anderson is an independent musician and marketer.

His background in digital marketing includes working with a leading digital agency in the UK, as well as working with Hewlett-Packard for the past 5 years, leading digital, advertising and search engine marketing for the Asia-Pacific Region.

Dave founded Florence Road, which is a digital marketing agency in 2010, in order to help musicians, like him, with their digital marketing presence.

He has released one album, Wish It All Away which received acclaimed reviews by major press publications, and is currently working on the follow up.



@daveando

Florence Road

www.florenceroad.com